

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-10 LAB-04  
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R 220038Z MAR 78  
FM USLO PEKING  
TO SECSTATE WASHDC 0192  
INFO AMCONSUL HONG KONG  
AMEMBASSY TAIPEI  
AMEMBASSY TOKYO

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E.O. 11652: N/A  
TAGS: ELAB CH  
SUBJ: CANTON HARBOR'S PIECE RATE SYSTEM BECOMES A MODEL

REF: HONG KONG 3341

1. SUMMARY: THE PIECE RATE SYSTEM EMPLOYED BY CANTON'S WHAMPOA (HUANGPU) HARBOR IS DESCRIBED IN A DETAILED REPORT IN THE MARCH 20 "KWANGMING DAILY," WHICH CALLS ON OTHER ENTERPRISES TO STUDY IT. THE SYSTEM COMBINES PRODUCTION QUOTAS WITH PIECE RATES AND WITH BASIC TIME RATES THAT ENSURE THAT OLD WORKERS, WHO WOULD LOSE UNDER A STRAIGHT PIECE RATE SYSTEM, EARN HIGHER WAGES. ALTHOUGH THE WORKERS AT WHAMPOA ARE SAID TO HAVE MET SAFETY AND QUALITY STANDARDS SINCE THE ADVENT OF PIECE RATES, THE REPORT SUGGESTS THAT OTHER ENTERPRISES SHOULD PAY PARTICULAR ATTENTION TO THESE MATTERS WHEN THEY ADOPT THE SYSTEM. END SUMMARY.

2. THE MARCH 20 "KWANGMING DAILY"  
CARRIES AN "INVESTIGATION REPORT" BY STAFF MEMBERS OF THE CANTON-BASED "NANFANG DAILY" ON THE WHAMPOA HARBOR PIECE RATE  
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SYSTEM (REFTEL). AN EDITOR'S INTRODUCTION STATES THAT PIECE RATES ARE VERY USEFUL IN SOME KINDS OF WORK AND ENCOURAGES OTHER ENTERPRISES TO STUDY THIS EXAMPLE. THE SYSTEM WAS INITIATED AMONG WHAMPOA'S THREE LOADING AND UNLOADING BRIGADES (COMPRISING 2,677 WORKERS) ON OCTOBER 16, 1973, AND HAS BEEN IN OPERATION SINCE.

3. THE SYSTEM'S SPECIAL CHARACTERISTICS ARE DESCRIBED AS FOLLOWS:

--PIECE RATES ARE CALCULATED ACCORDING TO THE ACTUAL INCOME OF SMALL WORK UNITS (PAN TZU) AND DISTRIBUTED EQUALLY TO MEMBERS. IN THE CASE OF UNITS LOADING AND UNLOADING BULK CARGOES, WHERE MEASUREMENT IS DIFFICULT, THE MIDDLE-SIZED TEAM (CHUNG TUI) COMPRISING SEVERAL WORK UNITS IS USED.

--WORK QUOTAS. WORK QUOTAS OR NORMS ARE USED TO CALCULATE A GRADUATED PIECE RATE. AFTER QUOTAS ARE MET, EACH ADDITIONAL UNIT OF WORK PERFORMED EARNS A GREATER WAGE REWARD.

--PIECE RATES ARE LIMITED AND ARE USED IN COMBINATION WITH TIME RATES AND "MAINTENANCE PAY" (TAI SHI KUNG TZU). MANY WORKERS (PARTICULARLY YOUNG, HEALTHY ONES) APPARENTLY WORK ONLY FOR PIECE RATES; MONTHLY INCOME FROM PIECE RATES IS LIMITED TO 70 YUAN. AT THE SAME TIME ALL SENIOR WORKERS, AND PROBABLY ALL WORKERS, ARE GUARANTEED INCOME UP TO A "FLOOR" AND RECEIVE A COMPENSATING ALLOWANCE IF THE PIECE RATE DISTRIBUTION FAILS TO REACH THE MINIMUM (THIS FLOOR IS COMPENSATION FOR FULL-TIME WORK; IF THE WORKER HAS BEEN ABSENT THEN PAY IS DEDUCTED ACCORDINGLY). MAINTENANCE WAGES ARE PAID DURING SICKNESS, TIME SPENT WAITING FOR SHIPS AND FOR OTHER EXCUSABLE PERIODS OF IDLENESS.

--THE ABOVE ELEMENTS OF THE SYSTEM ENSURE THAT SOME APPROPRIATE DISPARITY IS MAINTAINED IN PAY SCALES (I.E., THAT SENIOR WORKERS RECEIVE MORE) AND THAT NO ONE SUFFERS AN UNWARRANTED REDUCTION IN INCOME. THESE FEATURES, INCLUDING THE LIMITED OFFICIAL USE

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LIMIT OF 70 YUAN FOR PIECE RATE EARNINGS, ARE DESIGNED TO PREVENT THE PIECE RATE SYSTEM FROM THREATENING WORKER SOLIDARITY AND INDIVIDUAL HEALTH.

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4. FROM 1973 TO 1977 THE PIECE RATE SYSTEM AT WHAMPOA IS CREDITED WITH IMPROVING PERFORMANCE IN MANY FIELDS. SPECIFICALLY:  
--ON THE AVERAGE, THE HARBOR FULFILLED 127.1 PERCENT OF ITS LOADING AND UNLOADING QUOTA IN EVERY MONTH BETWEEN 1974 AND 1977. AVERAGE MONTHLY VOLUME BETWEEN 1974 AND 1977 WAS 74.3 PERCENT ABOVE THE LEVEL IN THE FIRST NINE MONTHS OF 1973.  
--COMPARED WITH 1972, THE NUMBER OF LOADING AND UNLOADING WORKERS HAS BEEN REDUCED BY OVER 400, EVEN THOUGH FREIGHT VOLUME HAS INCREASED. IN 1977 TOTAL VOLUME WAS 36.2 PERCENT ABOVE THE 72 LEVEL.  
--THE WAGE EXPENDITURE FOR EACH 1,000 TONS OF FREIGHT WAS 18.8 PERCENT LOWER IN THE FIRST NINE MONTHS OF 1977 THAN IN THE CORRESPONDING 1973 PERIOD. THE PROPORTION OF WAGES IN LOADING AND UNLOADING COSTS DROPPED 6.62 PERCENT IN THE FIRST NINE MONTHS OF 1977 COMPARED WITH THE FIRST NINE MONTHS OF 1973, FOUR YEARS THIS SAVINGS ALONE INCREASED PROFIT REMITTANCES TO THE STATE BY 1.45 MILLION YUAN. FURTHERMORE, WORKERS' AVERAGE MONTHLY INCOMES INCREASED BY 13.6 PERCENT OR 8.8 YUAN COMPARED WITH 1972, WHILE THE TOTAL WAGE BILL WAS NOT INCREASED.  
--WORKERS' ATTENTION TO QUALITY AND SAFETY INCREASED, WORKERS ENGAGED IN DIFFERENT ACTIVITIES IMPROVED THEIR COORDINATION, AND KJ  
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THE WORKERS TOOK THE INITIATIVE IN RESTORING AND SUPPORTING MANAGERIAL RESPONSIBILITY FOR MEETING QUOTAS AND QUALITY SPECIFICATIONS.

5. SUMMING UP, THE REPORT STATES THAT IN IMPLEMENTING THIS SYSTEM THE HARBOR BUREAU PARTY COMMITTEE PAID SPECIAL ATTENTION TO THE FOLLOWING IMPORTANT ISSUES:  
--STEADFASTLY KEEPING PROLETARIAN POLITICS IN COMMAND AND FOCUSING ON PEOPLE'S MENTALITY (I.E., EDUCATING PEOPLE IN MAO'S THOUGHTS).  
--PAYING PARTICULAR ATTENTION TO SAFETY AND QUALITY.  
--FIRMLY IMPLEMENTING A SYSTEM OF WORK QUOTAS OR NORMS (AS THE BASIS ON WHICH PIECE RATE REWARDS ARE CALCULATED) MAKING SURE THESE REPRESENT THE HIGHEST AVERAGE LEVEL OF PERFORMANCE.  
--MANAGING ALL ASPECTS OF ENTERPRISE WORK WELL. FOR EXAMPLE, ESTABLISH A RATIONAL SET OF RULES AND REGULATIONS WITHIN THE ENTERPRISE AND EFFECTIVELY COORDINATE INTERACTION BETWEEN THE PORTS, SHIPS, RAILWAYS AND MATERIALS AUTHORITIES.

6. COMMENT: THE WHAMPOA SYSTEM IS OBVIOUSLY BEING HELD OUT AS A MODEL WHICH OTHER ENTERPRISES WITH COMPARABLE WORKING CONDITIONS SHOULD TRY TO EMULATE. AS THE "KWANGMING" EDITOR NOTES,PIECE RATES ARE USEFUL AND PRACTICABLE IN CERTAIN WORKING ENVIRONMENTS. THEY ARE MUSH LESS APPROPRIATE IN CERTAIN OTHER ENVIRONMENTS, HOWEVER, AND MANY ENTERPRISES WILL NO DOUBT CHOOSE DIFFERENT INCENTIVE SYSTEMS. THE STRESS GIVEN IN THE ARTICLE TO QUALITY AND SAFETY MUST REFLECT REAL LEADERSHIP CONCERN THAT THESE PRESENTLY WEAK AREAS WILL BE FURTHER WEAKENED BY INCENTIVE SCHEMES BASICALLY ORIENTED TOWARD VOLUME PRODUCTION.

7. WE ARE INTRIGUED BY PROMINENT MENTION GIVEN TO THE REDUCTION OF WORKERS AS AN ADJUNCT TO GREATER LABOR PRODUCTIVITY AND PROFITS. THERE IS PROBABLY SOME INCENTIVE FOR REDUCING marginally LIMITED OFFICIAL USE

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PRODUCTIVE WORKERS UNDER A "COLLECTIVE" PIECE RATE SYSTEM. MANY OTHER ENTERPRISES COULD PROBABLY RAISE PRODUCTIVITY AND INCREASE PROFITS BY REDUCING THEIR LABOR ROLLS, AND MIGHT BE MORE INCLINED TO DO SO UNDER THIS SYSTEM.

8. LABOR PRODUCTIVITY CAN BE INCREASED THROUGH MECHANIZATION, AND THIS UNDOUBTEDLY ACCOUNTED FOR SOME OF THE INCREASE AT WHAMPOA HARBOR. THE REPORT CHOSE NOT TO MENTION THIS, BUT TO GIVE ALL CREDIT TO THE PIECE RATE SCHEME.  
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